Available online at www.sciencedirect.com

ScienceDirect

Future Business Journal 4 (2018) 84–93

www.elsevier.com/locate/fbj

Corporate social responsibility and financial performance: An empirical analysis of Indian banks

Shafat Maqbool*, M. Nasir Zameer*

Aligarh Muslim University, Aligarh, 202002 Uttar Pardesh, India

Received 21 May 2017; received in revised form 30 November 2017; accepted 28 December 2017

Abstract

Despite scads research on the relationship between corporate social responsibility and financial performance, literature is still inconclusive. This study attempts to examine the relationship between corporate social responsibility and financial performance in the Indian context. Secondary data has been collected for 28 Indian commercial banks listed in Bombay stock exchange (BSE), for the period of 10 years (2007–16). The results indicate that CSR exerts positive impact on financial performance of the Indian banks. The finding of this study provides great insights for management, to integrate the CSR with strategic intent of the business, and renovate their business philosophy from traditional profit-oriented to socially responsible approach.

Keywords: Corporate social responsibility; Profitability; Stock returns; Content analysis; Panel data

Introduction

After financial crisis 1924, the corporate world was forced to restructure their relationship with stakeholders. Stakeholders contested for greater accountability and transparency from corporate management. The Corporate world can't succeed without taking cognizance of their immediate society. European Commission (2001) defined "CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on the voluntary basis". CSR has broadened the domain of corporate sector from stockholders to stakeholder by assigning responsibility towards all those institutions which are affected by the company. Despite a substantial research on CSR, it still lacks conceptual clarity. Different scholars regressed to come up with an inclusive definition, which reflects basic CSR character. We have looked for a definition and basically, there isn't one (Jackson & Hawker, 2001). The problem exists due to the social construction of definition which fickles across time and space. The comprehensive definition was proposed in 1983, by AB Carroll "corporate social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive" (Carroll, 1983). Thus, CSR is a philosophy which defines the company-stakeholders relationship.

*Corresponding authors.

E-mail addresses: shafatd8@gmail.com (S. Maqbool), mnzcomamu@gmail.com (M.N. Zameer).

Peer review under responsibility of Faculty of Commerce and Business Administration, Future University.

https://doi.org/10.1016/j.fbj.2017.12.002

The CSR is ever more on the agenda of business organization, due to its ability to enhance the competitiveness of a firm. This has motivated researchers to investigate what affect CSR exerts on bottom-line of the business. In this perspective, prior work has presented divergent results. The dominant perspective believes that CSR provides a competitive edge, which finally enhances the financial strength of the business (Margolis, Elfenbein, & Walsh, 2009). The underlying premise, which asserts that CSR enhances financial performance, is the stakeholder theory (Freeman, 1984). The theory emphasis that the success of a company depends on the enduring relationship with stakeholders and managing them have become an essential tool for value creation (Hammann, Habisch, & Pechlaner, 2009). The other perspective is negative relationship between two constructs. According to this line of thinking, it consumes the scares resources of company without any substantial return (Friedman, 1970). In other words, social action involves a cost which affects profit negatively. For instance, cost incurred in different CSR activities, for instance, charity, eco-friendly equipment, better working conditions, pollution control, will squeeze the profitability.

As a blistering topic of debate, CSP - CFP investigated worldwide, but lacks insights from an Indian perspective. Further, developing countries became a great receptive of CSR idea, which have become a hub of CSR, makes it imperative to assess its financial implications. Thus, the motive is to explore the nature and the course of association shared between the CSR and financial performance by Indian commercial banks.

Review of literature

Previous studies have shown mixed results regarding the relationship between CSR and Financial performance. The theme has produced scorching debates among researchers, hitherto literature is inconclusive. The common perspective is positive, negative and neutral relationship between two constructs.

Positive relationship between CSR and CFP

This school asserts that CSR is an important driver of enhancing financial performance. CSR, according to stakeholders and agency theory, exerts a positive influence on financial performance. Several studies have supported the positive nexus, for instance, Waddock and Graves (1997) assessed 469 companies while surrogated KLD measurement for CSR. He examined the impact from both slack resources and good management theory. He found CSR positively associated with prior and future financial performance, hence supports both slack resource and good management theory. Similarly, Kim and Kim (2014) studied CSR in tourism industry, examines whether CSR enhances value for shareholders. The study used ESG rating from 1991 to 2008, to specifically test the effect of CSR on two different types of equity-holder risks (i.e., systematic and unsystematic risks). He suggested that social responsibility was found to enhance shareholder value by increasing Tobin's Q, while firms having minimal CSR reduced shareholder value by increasing the risk. The main hypothesis which supports the positive relationship is CSR enhances competitiveness of a firm.

From an innovation perspective, CSR reduces firm costs, create value for stakeholders, and craft internal capabilities, such as being first mover in an industry (Preston & O'bannon, 1997), all these contribute to the competitive advantage of a firm. The three basic channels through which CSR exerts competitiveness in the firm; cooperation with different stakeholder, developing new business opportunities through addressing key societal challenges, improving working conditions, that increases the confidence of workers and pay better attention towards workers. Thus, by investing in superior social responsibility, a firm builds up a stock of reputational capital, and hence boosts its financial performance. Further, CSR helps in building the positive relationship with customers, attracting motivated employee, lowering companies risk and spreading positive word of mouth which might otherwise impose a cost (Bird, Hall, Momentè, & Reggiani, 2007). Similarly, Hammond and Slocum, (1996) highlighted that CSR can enrich corporate reputation and lower financial risk, thus firms having minimal chance of getting bankrupt, compared to non-CSR firms.

Negative relationship between CSR and CFP

In the late 60s, Milton Friedman came up with an argument, that there is nothing like the social responsibility of business. CSR is "fundamentally subversive doctrine" in the free society, otherwise, the company will be at a detrimental position; the only goal for the business is to increase profit while respecting legal and ethical decorum

(Friedman, 1970). This argument is substantiated by several empirical studies. For instance, Wright and Ferris (1997) examined the effect of divestment in South Africa (as a proxy for CSR) on stock market performance. Using data from 116 companies for 10 years in cross-section industries, the study showed that share price is affected negatively by announcing divestment in South Africa. These results are supportive of the premise that non-economic pressures may influence managerial strategies rather than value-enhancement goals. Similarly, Cordeiro and Sarkis (1997) in a sample of 523 US firms demonstrate a negative correlation between environmental activism and earnings per share while taking Toxic Release Inventory data as the proxy for environment protection. This line of thinking argues that those engaged in the CSR activities incur a competitive weakness because they incur costs which should have been borne by other institutions. For instance, eco-friendly operations, philanthropy, customer welfare, health care centers and environment preservation. Likewise, Hemingway and Maclagan (2004) believes that CSR is a cover-up for fraudulent activities imitated by management, which imposes negativity in CSR. Skeptics have accused CSR as a projection of good image, regardless of their unpublicized unethical practices (Caulkin, 2002). Similarly, Moon (2002) brought up that inspiration for CSR is constantly determined by some self-intrigue, paying little mind to whether the movement is deliberately determined for business purposes alone, or whether it is also partly driven by what appears, at least superficially, as an altruistic concern. The hidden supposition is that commercial imperative isn't sole purpose behind CSR. The astute directors advance their altruism in a deceptive way.

Neutral relationship between CSR and CFP

The debate regarding CSR and financial performance has led to another possibility, that, CSR works independently lacking any financial upshots. Both the variables mutually exclusive and the relation is only by chance. The proponent of this line of reasoning argues that there are so many interposing variables between CSR and financial performance that relationship hardly exists (Ullmann, 1985). Similar results were highlighted by Abbott and Monsen (1979), and Griffin and Mahon (1997). McWilliams and Siegel (2000) investigated the relationship between CSR and financial performance in the sample size of 524 for a period of 6 years. The result shows upwardly biased estimates of the financial impact of CSR, but when the model was properly specified, by incorporating R&D, the result shows neutral effect of CSR on financial performance. Kenneth and Hage (1990) relate community service with different organizational characteristics in the sample of 82 companies. The results highlighted that community service has no effect on profit goals, low price niche, and multiplicity of outputs, and workflow continuity. Similarly, Griffin and Mahon (1997) examined the relationship between CSR and corporate financial performance, while measuring CSR employs both perceptual based data (KLD Index and Fortune reputation Survey) and performance-based (TRI database and corporate philanthropy). The result shows that Fortune and KLD indices very closely track one another, whereas, TRI and corporate philanthropy shows neutral relationship.

CSR literature in India

Corporate social responsibility is taking strong roots in developing countries including India. Community groups, consumers, investors, civil society and other actors have deposited a tremendous pressure on corporate people to adhere to social and environmental standards. In 2013, landmark bill was passed by Indian parliament to make CSR compulsory. Most of the researchers in India focus on basic CSR, without aligning it with profitability. Usually research was done by questionnaire surveys (Khan & Atkinson, 1987; Jain & Kaur, 2004), few researcher focused on the nature and character of CSR in India (Arora & Puranik, 2004; Singh, 2010; Sood & Arora, 2006), the practices and policies of CSR in India (Arora & Rana, 2010; Gupta & Saxena, 2006) and the competitive advantage of CSR (Kansal, Joshi, & Batra, 2014; Sen, 2006).

In the Indian context, existing literature regarding CSR-CFP nexus is limited. Mishra and Suar (2010) in a questionnaire-based survey highlighted that, companies which are sensitive to needs of its stakeholders find positive impression about itself, its values, and overall worth. The findings of the study highlighted that CSR-oriented companies enjoy a higher level of stakeholders' confidence, which is reflected in higher returns, good wages, timely payment, enhanced reputation and goodwill. In addition, Kapoor and Sandhu (2010) reported that Indian stakeholders are sensitive towards the environment and social concern hence elevates those companies which are conscious regarding these issues.

In the light of above discussion, the main objective of this study is to analyze the relationship between corporate social responsibility and financial performance in the banking sector. Literature reveals that most of the studies are seen in the context of developed countries while very few studies addressed the issue in the Indian context, particularly in the banking sector. In this study, we seek to redress this imbalance at a particular time when the government of India has legitimized CSR in India.

Database and methodology

Variables and data collection

The study focused on commercial banks listed on Bombay stock exchange (BSE) to test the relationship. The comprehensive list of 45 banks was modified, by excluding the banks, for which, data was not available during the period under study. Finally, we were left with 28 banks comprising 15 public and 13 private banks. The study period ranges from 2007 to 2016, for which data was easily available when the study was conducted. The study represents 62% bank (45/28), which is enough to go for an analysis (De Vanus, 1996).

Data on CSR, CFP, and control variables have been collected from secondary sources. Data on CSR has been collected from annual reports of the companies. These reports are the pivotal documents which represent the companies in public domain. (Hughes, Anderson, & Golden, 2001) supported the use of annual reports for the extraction of CSR data because of their convenience. Besides, numbers of studies have used annual reports to measure the CSR (Abbott & Monsen 1979). Similarly, data on CFP and control variables have been collected from prowess, Centre for Monitoring Indian Economy (CMIE) electronic database.

Measurement of CSR

In the present study, content analysis was used to extract CSR information from the annual reports. Subsequently, activities were segregated into four categories, (community, environment, workplace & diverse) covering inventory of 32 items (see Appendix 1). The 'CSR instrument' was constructed on review of literature (Abbott & Monsen, 1979; Centre for Corporate Research and Training, 2003; Confederation of Indian Industry, 2002; Rashid & Ibrahim, 2002), scanning of annual reports of different companies i.e. Infosys, ITC, Wipro and Tata Group and various issues covered by Indian NGOs. 1 and 0 scale has been used to show presence or absence of the item based on following formula;

$$\mathbf{CSRi} = \sum_{1}^{j} . \sum_{i=1}^{n} dij$$

Subsequently, CSR score was transformed into percentage terms by following formula;

$$\textbf{\textit{CSR score of a company}} = \textbf{\textit{No. of CSR items adopted by a company}}/\textbf{\textit{Total no. of CSR items}}$$

Measurement of CFP and control variables

The depended variable in the model is financial performance. There is no consensus on the measurement of financial performance. Following the prior research, it would be quite appropriate to use both profitability and stock market return as performance indicators. We have used ROE, ROA, NP as profitability measure while SR and PE as market return indicators. The study used factor analysis to avoid a tradeoff between different measures of financial performance.

A pile of studies has poured consideration about the CRS-CFP nexus over other important factors that can have an imminent impact on firm's performance Size, firm age, Risk, capital intensity (Waddock & Graves, 1997; Johnson & Greening, 1999; Wahba, 2010). Firm size has a potential impact on social credentials. Large firms have ample resources to possess and process social information, which in turn gives the firm more competitive advantages (Russo & Fouts, 1997). The study used total assets for measuring size supported by Wahba and Elsayed (2015). Firm age is also incorporated as control variable as management problems, decisions and principles are rooted in time (Greiner, 1972). It is depicted by the time period from the inception date to the year of analysis (Elsayed & Wahba, 2013). Similarly, financial leverage is employed as a surrogate for risk (Waddock & Graves, 1997). It depicts management's risk tolerance that influences its attitude towards social activities. It is measured by the ratio of total debt to total equity. Capital intensity is depicted by the ratio of fixed assets to total assets. We have transformed size (by taking its logarithm) to improve normality and linearity of the variables.

Panel regression model

The study is designed to examine the relationship between CSR-profitability and CSR-market measures. The composite variables, profitability and SMR have been employed as dependent variables, while as, CSR as an independent variable. Equation first examines the relationship between profitability and CSR while equation second highlights the relationship between CSR and stock market returns (SMR). Thus, the following are the models for study.

$$\mathbf{Y_{it}} = \boldsymbol{\beta 0} + \sum_{i=0}^{n} \beta 1 CSR_{it} + \sum_{i=0}^{n} \beta 2 LEV_{it} + \sum_{i=0}^{n} \beta 3 CAP_{it} + \sum_{i=0}^{n} \beta 4 \Delta AGE_{it} + \sum_{i=0}^{n} \beta 5 SIZE_{it} c_{it}. \quad (1)$$

$$\mathbf{Y_{it}} = \boldsymbol{\beta 0} + \sum_{i=0}^{n} \beta 1 CSR_{it} + \sum_{i=0}^{n} \beta\, 2 LEV_{it} + \sum_{i=0}^{n} \beta 3 CAP_{it} + \sum_{i=0}^{n} \beta 4 AGE_{it} + \sum_{i=0}^{n} \beta 5 SIZE_{it} + c_{it}. \quad (2)$$

Y depicts financial performance, whereas ($\beta 0$) is constant, and ($\beta 1{:}\beta 5$) are the parameters for the independent variable. The two subscripts i represents company and t represent time series while �it is error term.

Analysis and results

Table 1 evinces descriptive statistics of variables used in the study. The mean score of CSR amounts to 0.41 and standard deviation 0.17. The score portrays that CSR has taken roots in India, as average amounts to 41%, but it still needs to go a long way before it will be recognized as a strategic element of the business.

Construction of composite index of performance

In order to have a clear picture of our analysis and to overcome the issue of divergent objectives of the firm, in line with Soch and Sandhu (2008), constructed a composite index of financial performance. Factor analysis has been employed to construct a composite index. The assumptions regarding factor analysis have been checked and successfully met.

The first requirement is a high correlation between the variables. The correlation matrix is shown in Table 2, which portrays that financial indicators are highly correlated (ROE, ROA, NP, SR and PE) at 0.05% level of significance. Kaiser–Meyer–Oklin (KMO) measure of sampling adequacy is another test to show the appropriateness of data for the factor analysis. KMO is 0.69, (See Table 3) which is higher than desired value of 0.5 (Malhotra, 2008). Bartlett's test of Sphericity (Bartlett, 1950) is the third requirement for verifying aptness of factor analysis. As shown in Table 3, the test value is C2 =594.40, which is significant ($p < 0.01$). Hence, data is appropriate for the factor

Table 1
Descriptive statistics.

Variable	Obs	Mean	St. Dev	Min	Max
ROE	280	12.50	10.32	−31.24	31.56
ROA	280	0.833	0.662	−2.02	1.86
NP	280	3.586	1.84	−4.32	5.163
SR	280	0.541	1.66	−3.6	10.00
PE	280	15.02	31.80	0.00	461.8
CSR	280	0.413	0.178	0.00	0.852
Size	280	6.123	0.505	4.81	7.43
Risk	280	1.221	0.893	0.00	6.46
CAP	280	0.008	0.003	0.002	0.026
AGE	280	72.6	1.94	4.00	123.0

Table 2
Correlation matrix. Source: stata.

Variables	ROE	ROA	NP	SR	PE
ROE	1.00				
ROA	0.860*	1.00			
NP	0.757*	0.704*	1.00		
SR	0.050	0.001	0.003	1.00	
PE	-0.046	0.060	0.047	0.079*	1.00

*Correlation significant ($p < 0.05$)

Table 3
Rotated factors.

variables	Factor 1 (factor loading)	Factor 2 (Factor loading)
ROE	0.944	−0.080
ROA	0.926	0.041
NP	0.879	0.037
SR	0.032	0.722
PE	0.035	0.746
Eigen values	2.52	1.08
Percentage of variance	50.47	21.74
Cumulative % of variance		72.21
KMO value = 0.69	**Bartlett's test = 594.40**	***P* < 0.00**

analysis. A glance at Table 3, which portrays the results of (Rotated) factor analysis, shows that factor analysis, has extracted two performance factors. The first factor is based on the measure of ‘accounting profit’ (ROE, ROA, and NP) hence named as the ‘profitability’ and the second factor is based on the measure of ‘stock return’ (SR and PE) and named as the ‘stock market return’ (SMR). The latent root criterion is used for the extraction of factors. Profitability and SMR has an Eigenvalue of 2.52 and 1.08, respectively. The index for the present solution accounts 72.21 percent of the total variance, reveals, how the total factor solution represents the variables.

For each bank, a vector of factor scores for ‘profitability’ and ‘Stock Market return’ has been calculated as Profitability = F.Z and SMR = F.Z, where F is the factor score coefficient matrix (the matrix is given in Table 4) and Z is the vector of standardized values of the five performance variables (ROE, ROA, NP, SR and PE) which have been factor analyzed (Rummel, 1988). In view of above method, profitability and SMR can be calculated as

$$\textbf{Profitability} = (\mathbf{0.37})\, Z_1 + (\mathbf{0.36})\, Z_2 + (\mathbf{0.34})\, Z_3 + (\mathbf{0.01})\, Z_4 + (\mathbf{0.014})\, Z_5$$

$$\textbf{Stock Market returns} = (\mathbf{-0.073})\, Z_1 + (\mathbf{0.038})\, Z_2 + (\mathbf{0.035})\, Z_3 + (\mathbf{0.66})\, Z_4 + (\mathbf{0.68})\, Z_5$$

where $Z1$, $Z2$, $Z3$, $Z4$, and $Z5$ represents the standardized value of ROE, ROA, NP, SR, and PE, respectively. Thus $Z1 =$ (ROE of company ‘1’ minus average ROE of all companies) divided by standard deviation of average ROE for

Table 4
Factor score coefficient.

Variables	I-Profitability	II-SMR
ROE	0.374	−0.073
ROA	0.367	0.038
NP	0.348	0.035
SR	0.012	0.664
PE	0.014	0.686

Table 5
Regression results. Source: Stata.

	Dependent Variables Profitability	SMR
CSR	0.536(0.03)**	0.365(0.07)*
Size	4.88(0.001)***	−0.231(0.13)
Risk	−0.015(0.87)	−0.133 (0.02)**
Cap	−80.03(0.01)***	49.12(0.19)
Age	−0.493(0.00)***	−0.004 (0.02)**
Constant	6.362(0.01)***	1.385(0.12)
R^2	0.46	0.21
***F*-test**	8.15**	1.00
LM-test	27.70**	0.38
Hausman test	256.4**	–
Hettest	8479.8**	299.1**
Serial correlation	0.005	2.869
Collinearity^{VIF}	9.66	1.22

(i) *Figures in brackets are standard errors (HAC) corrected.*
(ii) *F-test provides a test of the pooled OLS model against the fixed effects model.*
(iii) *LM test is the* Breusch and Pagan's (1980) *Lagrange Multiplier which chooses between OLS and REM*
(iv) *Hausman is the* Hausman (1978) *specification test for fixed effects over random effects.*
(v) *Hettest is the modified Wald statistic/ breusch pagan test to check Heteroscedasticity* (Greene, 2003).
(vi) *Serial correlation is the Wooldridge test for autocorrelation in panel-data models* (Wooldridge, 2003).
(vii)*Collinearity^{vif} is Average VIF, to check the serial correlation in the model* (Gujarati, 1995).
* $p < 0.10$.
** $p < 0.05$.
*** $p < 0.01$.

all companies. Following the same procedure, we calculate *Z*2, *Z*3, *Z*4 and *Z*5. Subsequently, we can calculate standard values of Market return and profitability for all the companies.

Panel model results

In the first model, where the relationship between Profitability and CSR is examined both *F*-test and BP–LM and Hausman test is significant, $p < 0.05$ (see Table 5) which favors Fixed effect model (Baltagi & Griffin, 1995). Similarly, in the second model which tests the relationship between SMR and CSR, *F*-test is BP–LM test shows insignificant results, $p > 0.05$, thus favors simple OLS over alternative panel models. Heteroscedasticity and serial correlation are two main problems in the regression analysis. These two problems will give inefficient results (Gujarati & Porter, 2003) Therefore, the modified Wald test (Greene, 2003) and Wooldridge (2003) were performed to check for Heteroscedasticity and serial correlation, respectively. Both models are suffering from Heteroscedasticity as depicted in Table 5. Therefore, the study applied the robust standard error model to make results best linear unbiased estimator.

Table 4 portrays the results of both the models; Model 1 has been constructed to check the effect of CSR on composite variable of profitability, similarly, model 2 has been constructed to verify the nexus between CSR and composite variable of stock market performance. The control variable size has been taken in log form in both models. *F* statistics is significant for both models at 1 percent significance level, verifies both the models are appropriate for the analysis. R^2, which explains the explanatory power of the model, is 46% and 21% for first and 2nd model, respectively. The result shows positive impact of CSR on both profitability and stock market returns. Model 1 Shows CSR explains 53% change in profitability while 36% change in stocks returns. Our results are in consonance with (Ehsan & Kaleem, 2012).

Therefore, social responsibility initiatives can be considered as strategy creating legitimacy, reputation, and competitive advantages. An ideal CSR towards all the essential stakeholders creates a fleet of satisfied stakeholders who bring effectiveness and cost reduction through different means that ultimately enhance firm performance. Satisfied workers compensate the firm through productivity gains and lessened employing and training costs, satisfied clients enhance item deals through repeated purchase behavior, satisfied investors lend capital at a less expensive rate diminishing cost of capital; satisfied community decreases the advertising cost, ecological stewardship prompts favorable circumstances, and better suppliers reduce quality certification costs. Similarly, when firms enhance CSR towards their stakeholders, consumers not only like, respect, or admire the firms but also identify with it. Such identification turns out to be solid and persisting (Sen & Bhattacharya, 2001) hence those customers become brand diplomats of the firm with enduring loyalty (Gillentine, 2006). All these activities will create a competitive advantage for the firm (Porter & Kramer, 2002). In summary, CSR can be linked with a number of bottom-line benefits.

Concluding remarks

Despite the plethora of research to exemplify the relationship between CSR and firm value, literature fails to provide conclusive evidence. Thus, this study provides some empirical evidence, which may help in explaining divergence in prior work. Using an improved and distinctive method, to verify the impact of CSR on both profitability and market returns in the Indian context. The study employed a panel data set of 28 Indian commercial banks for 10 years. Likewise, Size, risk, capital intensity and age were incorporated as control variables. The result shows CSR positively impacts profitability and stock returns. There by evincing that it pays to be socially responsible. It makes clear from the finding that CSR, as valuable and rear resource, can be exploited to create a competitive advantage for the firm The findings specifically validate the results of previous studies (e.g., Mishra and Suar, 2010; Cochran & Wood, 1984; Simpson & Kohers, 2002; Waddock & Graves, 1997).

The results of this study have an important implication for strategic managers. First, considering the impact of CSR on firm's performance, companies should give adequate concern to their social responsibilities. CSR should not be treated as an optional activity rather it should be integrated with long-term business strategy. When CSR is aptly integrated into the business operations, both social and financial target becomes easier and resulting in better financial performance. Therefore, managers of the companies that do not practice CSR must treat it as one of their core business functions for long-term business performance. Second, the financial base of CSR gives it a strategic position in the corporate world. Yielding positive results, CSR will be taken as voluntary initiative rather than taken under legislative compulsions. In fact, forcing business organization does not actually signify that they will respond and go beyond legislation requirements. Therefore the underlying premises of financial outcome will be useful in the long run, to move business organizations beyond legislative compliance.

The results should be interpreted with certain limitations. First study does not consider the kind of CSR a firm takes. It is empirically affirmed, philanthropic and strategic CSR can have a different impact on financial performance. The collection of CSR into single score conceals its genuine effect. So future research, should consider the different kinds of CSR to establish a meaning full research. Second study focused on a particular industry, which could have done with more industries, as CSR vary across industries due to nature of their operations. Therefore future research should be conducted on the cross-section of industries.

Appendix 1

1. **Community involvement:**	**2. Environmental Contribution**:
– Opening up or contributing towards educational institutions. – Aid to flood/drought/disaster victims. – Construction and maintenance of roads. – Contribution for the promotion of art, culture, and sports. – Provision of drinking water facilities. – Contributing towards healthcare. – Construction of temples, community halls, parks, and so on. – Promotion of rural income generation schemes.	– Certified under ISO 14000 series. – Going for land reclamation and aforestation. – Installed effluent treatment plant. – Going for rain harvesting programmers.' – Recycling of pollutants and wastes. – Engaged in eco-friendly products/ process. – Efficiency in paper using. – Power saving/energy conservation.

3. Workplace:

- Providing better working environment to the employees.
- Retirement fund benefit plans, i.e., gratuity, provident fund.
- Proper safety measures for accident-prone activities.
- Frequent training/development programmes for employees.
- Spending for the welfare of employees.
- Providing medical facilities to employees.
- Profit sharing/share ownership programmes for employees.
- Women Harassment at workplace.

4. Diverse:

- Redress of grievance of workers/shareholders/ employees.
- No child labor in employment.
- Different training programs for empowerment of youth.
- Welfare activities for SC/ST/ and disabled persons.
- Providing agriculture guidance/schemes.
- Financial inclusion schemes.
- Setting of orphanage home.
- Better customer service/customer guidance/after sale service.

References

Abbott, W. F., & Monsen, R. J. (1979). On the measurement of corporate social responsibility: Self-reported disclosures as a method of measuring corporate social involvement. *Academy of Management Journal*, *22*(3), 501–515.

Arora, B., & Puranik, R. (2004). A review of corporate social responsibility in India. *Development*, *47*(3), 93–100.

Arora, D. & Rana, G. (2010). 'Corporate and Consumer Social Responsibility: A Way for Value Based System', Proceedings of AIMS International Conference on Value-based Management, 11-13 August, viewed 29 Dec 2010.

Baltagi, B. H., & Griffin, J. M. (1995). A dynamic demand model for liquor: the case for pooling. The Review of Economics and Statistics, 545-554.

Bartlett, M. S. (1950). Tests of significance in factor analysis. *British Journal of Mathematical and Statistical Psychology*, *3*(2), 77–85.

Bird, R., Hall, A. D., Momentè, F., & Reggiani, F. (2007). What corporate social responsibility activities are valued by the market?. *Journal of Business Ethics*, *76*(2), 189–206.

Breusch, T. S., & Pagan, A. R. (1980). The Lagrange multiplier test and its applications to model specification in econometrics. *The Review of Economic Studies*, *47*(1), 239–253.

Carroll, A. B. (1983). Corporate social responsibility: Will industry respond to cutbacks in social program funding. *Vital Speeches of the Day*, *49*(19), 604–608.

Caulkin, S. (2002). Good thinking, bad practice. *The Observer*, 7.

Centre for Corporate Research and Training (2003). 'Corporate Social Responsibility: Initiatives of Nse Nifty companies: Content, Implementation Strategies and Impact'. Available at ⟨www.nseindia.com⟩ Accessed on 16 October 2004.

Cochran, P. L., & Wood, R. A. (1984). Corporate social responsibility and financial performance. *Academy of Management Journal*, *27*(1), 42–56.

Cordeiro, J. J., & Sarkis, J. (1997). Environmental proactivism and firm performance: Evidence from security analyst earnings forecasts. *Business Strategy and the Environment*, *6*(2), 104–114.

De Vanus, D. A. (1996). *Surveys in social research*. London: UCL Press.

Ehsan, S., & Kaleem, A. (2012). An empirical investigation of the relationship between corporate social responsibility and financial performance (Evidence from manufacturing sector of Pakistan). *Journal of Basic and Applied Scientific Research*, *2*(3), 2909–2922.

Elsayed, K., & Wahba, H. (2013). Reinvestigating the relationship between ownership structure and inventory management: A corporate governanceperspective. *International Journal of Production Economics*, *143*(1), 207–218.

European Commission (2001). Directorate-General for Employment. Promoting a European Framework for Corporate Social Responsibility: Green Paper. Office for Official Publications of the European Communities.

Freeman, R.E. 1984. Strategic Management: A Stakeholder Approach. Marshfield, MA: Pitman.

Friedman, M. (1970). *The social responsibility of business is to increase its profits* (p. 13)New York: Times Magazine13.

Gillentine, A. (February 17 2006). Timberland to Provide "Nutritional Label" for All Shoes', The Colorado Springs Business Journal, ⟨http://www.allbusiness.com/north-america/united-states-colorado/1034748-1⟩. html. (Accessed 15 November 2007).

Greene, W. H. (2003). *Econometric analysis*. India: Pearson Education.

Greiner, L. E. (1972). *Evolution and revolution as organizations grow*. .

Griffin, J. J., & Mahon, J. F. (1997). The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Business Society*, *36*(1), 5–31.

Gujarati, D. N., & Porter, D. C. (2003). *Basic econometrics* (4th). .

Gupta, D.K., & Saxena, K. (2006, April). Corporate social responsibility in Indian service organizations: An empirical study. In international conference on CSR agendas for Asia, at Kuala Lumpur, Malaysia, on April (Vol. 1314, p. 2006).

Hammann, E. M., Habisch, A., & Pechlaner, H. (2009). Values that create value: Socially responsible business practices in SMEs–empirical evidence from German companies. *Business Ethics: A European Review*, *18*(1), 37–51.
Hammond, S. A., & Slocum, J. W. (1996). The impact of prior firm financial performance on subsequent corporate reputation. *Journal of Business Ethics*, *15*(2), 159–165.
Hausman, J. A. (1978). Specification tests in econometrics. *Econometrica: Journal of the Econometric Society*, 1251–1271.
Hemingway, C. A., & Maclagan, P. W. (2004). Managers' personal values as drivers of corporate social responsibility. *Journal of Business Ethics*, *50*(1), 33–44.
Hughes, S. B., Anderson, A., & Golden, S. (2001). Corporate environmental disclosures: Are they useful in determining environmental performance?. *Journal of Accounting and Public Policy*, *20*(3), 217–240.
Jackson, P., & Hawker, B. (2001). Is corporate social responsibility here to stay. URL: ⟨http://www.cdforum.com/research/icsrhts.doc⟩.
Jain, S. K., & Kaur, G. (2004). Green marketing: An attitudinal and behavioural analysis of Indian consumers. *Global Business Review*, *5*(2), 187–205.
Johnson, R. A., & Greening, D. W. (1999). The effects of corporate governance and institutional ownership types on corporate social performance. *Academy of Management Journal*, *42*(5), 564–576.
Kansal, M., Joshi, M., & Batra, G. S. (2014). Determinants of corporate social responsibility disclosures: Evidence from India. *Advances in Accounting*, *30*(1), 217–229.
Kapoor, S., & Sandhu, H. S. (2010). Does it pay to be socially responsible? An empirical examination of impact of corporate social responsibility on financial performance. *Global Business Review*, *11*(2), 185–208.
Khan, A. F., & Atkinson, A. (1987). Managerial attitudes to social responsibility: A comparative study in India and Britain. *Journal of Business Ethics*, *6*(6), 419–432.
Kim, M., & Kim, Y. (2014). Corporate social responsibility and shareholder value of restaurant firms. *International Journal of Hospitality Management*, *40*, 120–129.
Kraft, Kenneth, & Jerald, hage. (1990). Strategy, Social Responsibility and Implementation. *Journal of Business Ethics*, *9*, 11–19.
Malhotra, N. K. (2008). *Marketing research: An applied orientation, 5/e*. India: Pearson Education.
Margolis, J. D., Elfenbein, H. A., & Walsh, J. P. (2009). Does it pay to be good. and does it matter? A meta-analysis of the relationship between corporate social and financial performance.
McWilliams, A., & Siegel, D. (2000). Corporate social responsibility and financial performance. *Strategic Management Journal*, *21*(5), 603–609.
Mishra, S., & Suar, D. (2010). Does corporate social responsibility influence firm performance of Indian companies?. *Journal of Business Ethics*, *95*(4), 571–601.
Moon, J. (2002). The social responsibility of business and new governance. Government and Opposition, 37(3), 385-408.
Porter, M. E., & Kramer, M. R. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review*, *80*(12), 56–68.
Preston, L. E., & O'bannon, D. P. (1997). The corporate social-financial performance relationship: A typology and analysis. *Business Society*, *36*(4), 419–429.
Rashid, Z. A., & Ibrahim, S. (2002). *Executive and management attitudes towards corporate social responsibility in Malaysia*, 2. Corporate Governance10–16.
Rummel, R. J. (1988). *Applied factor analysis*. Northwestern University Press.
Russo, M. V., & Fouts, P. A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal*, *40*(3), 534–559.
Sen, S., & Bhattacharya, C. B. (2001). Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. *Journal of Marketing Research*, *38*(2), 225–243.
Simpson, W. G., & Kohers, T. (2002). The link between corporate social and financial performance: Evidence from the banking industry. *Journal of Business Ethics*, *35*(2), 97–109.
Soch, H., & Sandhu, H. S. (2008). Does customer relationship management activity affect firm performance?. *Global Business Review*, *9*(2), 189–206.
Sood, A., & Arora, B. (2006). The political economy of corporate responsibility in India. UNRISD.
Ullmann, A. A. (1985). Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of US firms. *Academy of Management Review*, *10*(3), 540–557.
Waddock, S. A., & Graves, S. B. (1997). The corporate social performance-financial performance link. *Strategic Management Journal*, 303–319.
Wahba, H. (2010). How do institutional shareholders manipulate corporate environmental strategy to protect their equity value? A study of the adoption of ISO 14001 by Egyptian firms. *Business Strategy and the Environment*, *19*(8), 495–511.
Wahba, H., & Elsayed, K. (2015). The mediating effect of financial performance on the relationship between social responsibility and ownership structure. *Future Business Journal*, *1*(1), 1–12.
Wooldridge, J. M. (2003). Cluster-sample methods in applied econometrics. *The American Economic Review*, *93*(2), 133–138.
Wright, P., & Ferris, S. P. (1997). Agency conflict and corporate strategy: The effect of divestment on corporate value. *Strategic Management Journal*, 77–83.